FACT SHEET
S. 2617
THE CREDIT FOR EARLY VOLUNTARY ACTION ACT OF 1998

- Encourages reduction of greenhouse gases by authorizing the President to provide regulatory credit, (i.e., emissions reduction credit) for early voluntary action (pre-2008) to reduce greenhouse gas emissions.

- Credit would be one-for-one, based on actual reductions below an agreed upon baseline.

- Credit could apply against participant's future domestic regulatory requirements, or be sold or traded to others.

- Credits issued under the program would be subtracted from total emissions allowed under future regulatory emissions requirements.

- Participants would agree to annually measure, track and publicly report greenhouse gas emissions.

- Participants would accept a baseline of current emissions (annual average of 1996-98 emissions, or earlier, through 1990) and would receive credit for voluntary reductions below that level, multiplied by the number of years in the program (e.g., if '96-'98 baseline = 100, and participant joins program in 2000, the baseline would be 100 x 8, 8 being the number of years between 2000 and 2008.

- Subject to verification, accurate reporting and protections against double counting, credit could include reductions which have occurred since 1990 and reported under 1605 (b) of the Energy Policy Act.

- Credit could be earned through sequestration of carbon as well as through reductions.

- New sources of emissions coming on line after the base period could earn credit against a baseline equal to the most efficient commercially available technology for sources of the same type.

- The baseline would be adjusted up or down for acquisition or transfer of emitting assets.

- Any agreement must contain effective provisions to prevent displacement of emissions to sources outside of the program.

FACT SHEET
HR 2520
THE CREDIT FOR VOLUNTARY ACTION ACT OF 1999

What are the goals of this program?

- This bill encourages reduction of greenhouse gases by authorizing the President to provide credit, (i.e., emissions reduction credit) for early voluntary action (pre-2008) to reduce greenhouse gas emissions such as carbon dioxide.

Why do we need this program?

- The global warming threat. Many view global warming as the most profound and important environmental threat, whether it be in the form of severe weather, the spread of disease, or devastating ecosystem disruption, to name some of the impacts from global warming.

- Reducing emissions now. Greenhouse gases do their damage by staying in the atmosphere for long periods of time, typically a century or more. That is why preventing their release in the first place is so important.

- Technology and innovation. Awarding emissions reductions creates an affirmative financial incentive for businesses to go forward to make, and implement, the discovery of technological innovations that ultimately benefit the economy.

- Regulatory insurance for business. The opportunity to earn emissions reduction credits allows companies to invest in a type of insurance program against the cost of possible future regulation. Even for those who remain deeply skeptical of the Kyoto Protocol, the very uncertainty that characterizes the politics, and ultimate policy outcomes, of the climate debate, poses serious risks - that they will have to bear the economic burden of effecting abrupt change to meet new obligations dictated either by the Protocol or a growing sense of public urgency about the climate change problem. Because credits earned through voluntary reductions are, by definition, cost-effective for those who make them, they can provide a low-cost compliance alternative in the event of future regulation. As a result, they offer companies a strategy for managing current uncertainty about the future of climate policy.

Who can participate?

Anyone - a group of individuals, small businesses, large power plants or manufacturing facilities, local governments, or car and other end-use appliance makers.

How does the program work?

- This bill uses as a model the acid rain program. The acid rain provisions in the Clean Air Act show the benefits, both environmental and economic, of deploying a market based system to achieve significant early emission reductions. That program operates through a trading market, similar, in principle, to the mechanism in this bill, to reduce emissions of sulfur dioxide (SO 2), a major cause of acid rain. Electric power plants that reduce their emissions below the mandatory level during the program's first phase, between 1995 and 2000, can save those extra reductions to use or sell after the year 2000, when additional reduction requirements are fully implemented. These incentives for early reductions have led utilities to cut SO 2 emissions by about 35% more than required in 1995 and 1996. The incentives have also created competition among pollution-reduction methods, driving down the cost of the reductions to less than one-tenth of the predicted cost.

- General Overview: In this bill, the credit would be one-for-one, based on actual reductions below an emissions baseline specified in the legislation (i.e., annual average emissions in 1997-99). The credit could apply against the participant's future domestic regulatory requirements, or be sold or traded to others. The credits issued under the program would be subtracted from total emissions allowed under future regulatory emissions requirements.

- Measurement and Verification: Participants would agree to annually measure, track and publicly report greenhouse gas emissions.

- Baseline: Participants would accept a baseline of current emissions (annual average of 1997-99 emissions, or earlier, through 1990) and would receive credit for voluntary reductions below that level, multiplied by the number of years in the program (e.g., if '97-'99 baseline = 100, and the program begins in 2000, the baseline would be 100 x 8, 8 being the number of years between 2000 and 2008.

- Accounting for Growth: This bill recognizes that the some participants' businesses will grow faster than the U.S. economy has, and will continue to, grow. Those companies' growth will be added to their baselines.

- Preventing displacement of emissions: Since this is a voluntary program, there is legitimate concern that some companies may just move their emissions, i.e., through outsourcing or dispatching to companies not participating in the program, rather than actually reducing them. The bill contains provisions to this problem, including provisions that require companies whose economic activity is shrinking relative to the overall economy to adjust their emissions baseline downward.

What activities qualify?

This bill does not predetermine for any business the best way to achieve greenhouse gas reductions. The driver is beating the company's own baseline, and creating real, verifiable emission reductions. A wide array of options is then open for companies. Sample activities would include: converting a coal fired power plant to a combined cycle gas turbine plant, increasing the amount of carbon stored in forests, increasing energy efficiency in industrial processes, installation and use of energy efficient light fixtures in buildings, and increasing fuel efficiency in cars and energy efficiency in consumer products.

What about past actions?

Subject to verification, accurate reporting and protections against double counting, credit could include reductions that have occurred since 1990 and before the date of this bill and have been reported under federal programs included in the U.S. Climate Change Action Plan (e.g., section 1605 of EPAct).

What about new companies, or mergers or sales?

The baseline adjustment provisions included to account for economic change, growth and shrinkage would account for these activities.